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**FINAL REPORT
RECYCLING RESOURCES ECONOMIC OPPORTUNITY GRANT**

Organization Name: Repsco, Inc.
Project Title: Repsco/K&M Partnership Project: Plastics Recycling, Processing,
Green Jobs and Greenhouse Gas Reduction
Name of Project Coordinator: Drusilla Harvey
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Name of Person Completing Report: Drusilla Harvey



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MEMBER

II. WORK PLAN

Deliverable	Completion Date	Comments (if deliverable <u>was not completed</u> , please explain why or what progress has been made)
Finalize permits/inspections/registrations.	Not completed	We have received the necessary drawings from the engineering firms, yet the permits have not been applied for as the project is still in setup stages and therefore not operational.
Purchase equipment.	6/30/12	
Install all equipment.	Not completed	All equipment has been placed in Repsco's facility. We are 95% complete for installation.
Complete equipment testing and commence first phase of full production.	Not completed	The equipment has not been completely installed; therefore the testing of the equipment has not been completed.
Hire and train six employees	Not completed	The facility is not operational at this time.
Commence full processing operation.	Not completed	Anticipate that full operation will begin by 4 th quarter of 2013. Delay has been due to availability of working capital and equipment repairs that were more than anticipated to fix.

III. PROJECT SUMMARY

1. Executive Summary

The Repsco/K&M Plastics Recycling, Green Jobs, and Greenhouse Gas Reduction Project is intended to divert the plastic that is currently being shipped to other states for processing before coming back to Colorado. With this project, Repsco will be able to process over 500,000 pounds a month of the HDPE that is recycled by the people of Colorado which would equate to at least 6 million pounds of HDPE being diverted from the landfills of Colorado. In order to accomplish this goal, Repsco would need to create new manufacturing jobs (10 – 15) and hire local disadvantaged youth from the Mile High Youth Corps. Unfortunately, due to unexpected equipment issues on existing equipment and a decrease in existing sales, Repsco has been unable to provide the working capital needed to install and test the equipment purchased for this project. This had resulted in a delay in making this line operational.

2. Project Description & Overview of Work Completed

Our main project goal was the purchase of the equipment that was necessary to make this line a reality. We have achieved this goal as of 6/30/12. We anticipate that we will be able to complete the installation and testing of the equipment by the 4th quarter of 2013.

3. Summary of Findings & Results

Due to the fact that the line is not operational, we do not have any results.

4. Summary of Unanticipated Outcomes or Roadblocks

Our working capital has been decreased immensely due to the repairs needed on our current equipment along with a decrease in sales from our main customer.

The reason we have delayed the further advancement is due to several factors. The first being that of the issues we encountered in initial installations and outside engineer evaluations of from electrical, mechanical, and structural for the equipment. Since taking over Repsco 15 years ago which is located in the City and County of Denver we have had several installations of major pieces of equipment to enhance the operation. Those expansions of installing new equipment had only basic electrical permits which were furnished by the contractors.

During this 15 year period we have had annual Denver (City/County) Fire Department inspections which we have complied with their Order to Comply. In stating this fact this year we have had a new round of inspections that surprised us in regard to electrical and actual building requirements. These new requirements are being appealed due to the supposedly defects have been in existence for the last 14 years or more. We are left with a conclusion as to why all of sudden these items were written up. The reason this is brought to your attention is that we have two years left on our lease and we are questioning whether or not we should continue to invest in the building and the installation of the equipment instead of seek a different location that has all the correct codes that are for a manufacturing facility we will need, particularly since the area we are currently located is being developed for housing (new apartment complex in the Denargo Market area and on the northern part of Brighton Blvd) and other commercial ventures.

We have talked with Louis Hard (owner of Hi Tech Recycling) about the possibility of moving into their new facility which certainly meets Repsco's electrical power requirements and space (over 120,000 sq. feet plus large storage yard for post consumer bales). They have encouraged this relationship but the initial cost of moving and the payment on current lease is not attractive yet.

Another factor that has played into the delay is that we ran two test loads of post consumer reject bottles from Royal Crest (Longmont, CO). Royal Crest was using a waste hauler to handle the rejects but was interested in reducing cost. Repsco invested \$6,000 in a compactor that would handle 10,000 lbs at a time which was to amount of plastic bottles per RC per load. The two loads we received from Royal Crest were contaminated with trash, had a very strong odor, and the yield was no more than 4,000 lbs of product that could be processed by Repsco. We learned a great deal from putting our toes in the water so to speak.

In addition to these factors, the initial experience in our washing system we found that we needed additional washing equipment which we applied for in this last round of grant application but did not qualify for the hub and spoke program. The current washing system is

somewhat adequate for some types of HDPE regrind but not for others thus limits our sourcing at the present time.

As we continued to look at ways to improve the washing system we have had a downturn in our normal historical sales volume from key accounts along with the ups and downs of the resin markets. This as you know affects cash flow hence profits. As a small business we are constantly looking at ways to reduce cost and improve production which was the basis for our grant requests.

Not to belabor this point but last year in early July that massive thunder storm that shut down Denver effected Repsco substantially. We lost our most productive line, E-1. The other two lines when running together generate the same output as E-1, thus we were forced to run 7/24's to catch up on orders from our key accounts. We lost over \$100,000 due that outage not covered by insurance. While our insurance covered the equipment replacement of a 400 HP motor and control drive, it took its toll on profits, hence cash flow.

While our intent / objectives were to get the shredder, grinder, aspirator, prewash system, and water circulation (all purchased by grant funds) into full production by end of August /September 2012, we elected to put a hold on this project.

In order to get the present equipment into operation we have established an estimate cost of \$200,000 to \$275,000. This includes permits, electrical, plumbing, structural installation. This does not include any additional equipment that we applied for in 2012.

Additional avenue for assistance to move this project along could be grant or training funds that are paid in advance instead of arrears. We estimate the cost to staff and train in this processing of bales to resin at \$100,000 to \$150,000.

We have worked and are working with Hi Tech Recycling on purchasing 120,000 to 180,000 pounds a month of post industrial / consumer HDPE plastic that would have ended up in landfills or moved to another state. Your group helped get this project off the ground for Hit Tech.

Repsco will continue this relationship but our overall objective from the get go was and is to process the bales of post consumer / post industrial material that is in the state of Colorado as stated in the original grant of 2011, thus provide jobs and improve profitability. We are so close but yet so far away.

We have also taken the steps last week to meet with state of Colorado purchasing department to promote the use of plastic slipsheets and the full recapture program. While it was a very productive meeting in regard to additional contacts to follow up on we found that the state is very fragmented in its purchasing of goods and services, thus the purchasing department has no actual influence other than suggestions to the various school districts, prisons, and higher educational units. This is a program we presented in our initial application and have discussed with this you and others in your department the opportunity to save millions of dollars in the movement of goods and to then send funds back to the state school, prisons, etc. Again we are so close but yet so far away.

In closing please understand that Repsco is fully committed to this journey of establishing a processing resin facility. It just needs a little help from its friends.

5. Communication of Project Findings

Communication will be done through companies using plastic or receiving plastic from the end users. We are currently researching how to meet with the people involved in these companies to discuss with them the importance of diverting the HDPE from the Colorado landfills.

6. Future Impact of the Project

The real emphasis is how to make inroads into the state of Colorado’s suppliers to use plastic slipsheets instead of wood pallets, thus saving the state of Colorado millions of dollars in direct and indirect cost. The Repsco slipsheet manufactured from 100% recycled HDPE (bottle grade & postconsumer / industrial plastics) can be used by schools, prisons, colleges, universities and health care facilities on any products that are purchased by all of these intuitions from their suppliers and then collected from them by Repsco wherein Repsco will pay institutions for the used recycled slip sheet which will be used to make a new slip sheet that is sold to the institutions suppliers. A complete closed loop system. By making companies aware of the use and recyclability of plastic sheets, we are able to transfer technology processes to others.

7. Financial Summary

Description	Grant Funds Spent	Matching/In Kind Amount (if any)	Total Amount
Personnel Salaries	\$0.00	\$0.00	\$0.00
Fringe Benefits	\$0.00	\$0.00	\$0.00
Tuition/Fees	\$0.00	\$0.00	\$0.00
Travel Costs	\$0.00	\$0.00	\$0.00
Materials/Supplies/Equipment(under \$5000)	\$0.00	\$52,084.25	\$52,084.25
Equipment Purchases (over \$5000)	\$266,550.00	\$168,551.46	\$435,101.46
Contractors/Subcontractors	\$43,386.00	\$13,197.69	\$56,583.69
Consultants	\$0.00	\$21,020.58	\$21,020.58
Training/Education	\$0.00	\$0.00	\$0.00
Marketing/Advertising	\$0.00	\$0.00	\$0.00
Other Direct Costs	\$0.00	\$9,039.70	\$9,039.70
Indirect Costs	\$0.00	\$0.00	\$0.00

Total Project Cost:	\$309,936.00	\$263,893.68	\$573,829.68
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8. Conclusion

Repsco is pleased that it was selected to receive grant funds for its project in 2011 and anticipates completion of its goals in 2013 / 2014. As for the RREO Grant Program, our only suggestion would be to rethink the way the grant is administered. Instead of having a company acquire the necessary capital to make the purchases, the State of Colorado could place the grant funds in an escrow account. Those funds would be released only upon the approval of a State of Colorado representative upon receipt of an approved invoice from the company. This would expedite the purchase of equipment / payment to vendors thus decreasing the amount of time it takes to get a project completed.

9. Appendix

- a. Grant Metrics Table – this is attached yet is blank due to the fact that the line is not operational at this time
- b. Community Leader Contact Information
See attached letter from Waste Management
- c. Manuals, Brochures, Print Advertisements, Pictures, Educational Materials, etc.
Pictures have been taken by Eric Heyboer; however, if more pictures are required please let us know and we will send